



TOM TINDALL  
Director

County of Los Angeles  
**INTERNAL SERVICES DEPARTMENT**

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*"To enrich lives through effective and caring service"*

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December 20, 2011

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL TO AMEND THE ENERGY EFFICIENCY  
PROJECT MASTER AGREEMENT  
(ALL DISTRICTS - 3 VOTES)**

**SUBJECT**

Approval to amend current Energy Efficiency Project Master Agreement and to execute Power Purchase Agreements with qualified vendors.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and authorize the Director, Internal Services Department (ISD), or his designee, to execute the attached Amendment Number One (Attachment 1) to the Energy Efficiency Project Master Agreement (EEPMA), which will amend the Renewable Resources and Distributed Generation Power category of the EEPMA to include Power Purchase Agreements (PPAs).
2. Authorize the Director, ISD, or his designee to negotiate and finalize PPAs, and all related documents, with qualified EEPMA vendors for various County projects, and to execute the PPAs issued under the EEPMA after Board notification.

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On November 6, 2007, your Board approved Energy Efficiency Project Master Agreements (EEPMA) with 24 companies and authorized the Director, ISD, to execute additional EEPMA with vendors that became qualified thereunder throughout its term. The EEPMA provide the County with a pool of readily available pre-qualified, energy efficiency project contractors that, under ISD's management, perform a variety of energy efficiency projects in support of County facilities and energy programs.

The recommended actions will allow ISD to use the existing EEPMA, as amended, to award and enter into PPAs with qualified vendors under the Renewable Resources and Distributed Generation Power category of EEPMA. The terms and conditions of the PPAs will be negotiated in accordance with industry standards and will include all required protections consistent with similar County operations. Your Board will be notified 10 working days prior to the execution of any PPAs and all related documents. Since the current EEPMA expires in 2017, and the PPAs are projected to have up to a 20 year term, any executed PPAs will be extended along with the standard terms and conditions set forth in any successor EEPMA, or will stand alone and incorporate the terms and conditions of the current EEPMA if no successor EEPMA is established.

### **Background**

On January 13, 2009, your Board directed ISD to support the Chief Executive Office (CEO) in developing renewable energy projects, including solar projects, to provide energy savings and reduce greenhouse gas production within the County. In response to that order, the CEO and ISD have collaborated on the development of solar projects that can be financed through the issuance of Qualified Energy Conservation Bonds (QECBs) that were authorized under the American Recovery and Reinvestment Act of 2009, as well as projects that are more appropriately completed under PPAs. On May 6, 2009, the CEO provided your Board with an update and recommendation to complete solar projects through the use of PPAs. The CEO and ISD worked with County Counsel to develop the approach identified in this Board letter. The PPA structure is described in Attachment 2.

The projects that would be implemented as part of an EEPMA PPA are distinct from the projects that are part of the solar rooftop program, for which on August 10, 2010, your Board approved allocations of the County's QECB authorization to construct. The CEO updated your Board on the QECB solar rooftop program status via separate memorandum.

For the projects under the QECB-financing program, the upfront project costs will be financed by the low-interest QECBs, allowing the County to purchase the systems without a significant cash outlay. For the PPA structure that will be used under the EEPMA, the County will only be buying the electricity generated by the solar panel system, not the system itself.

## **Implementation of Strategic Plan Goals**

The recommended actions support the Countywide Strategic Plan Goal Number 1, Service Excellence; Goal Number 3, Organizational Effectiveness; and Goal Number 4, Fiscal Responsibility by effectively managing County resources.

### **FISCAL IMPACT/FINANCING**

The PPA projects are designed to reduce County utility costs. The photovoltaic (PV) equipment and installation will be completed at no cost to the County and will be owned by the third party. Based on other entities' experience, the purchase price of the generated electricity under the PPAs is expected to be in the range of 5 to 10 percent lower than the utility electrical rates currently paid by the County at the affected facilities. The PPA rates will be fixed, with an annual price escalator in the range of zero to three percent. The price escalator will account for system efficiency decreases as the system ages, and for cost increases for system maintenance and anticipated increases in the price of grid-delivered electricity. The PPA rates will be required to be lower than the actual utility rates for each year. This action will not increase net County costs (NCC).

The County will have the option to purchase the PV systems during the term of the PPA. The purchase price will be predetermined and prorated depending on the length of time that the PPA is in force. At the end of the PPA's term, the County can either purchase the PV system or have the system removed and the facility restored to its original condition.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The proposed amendment will allow the County to issue PPAs for services consistent with the existing EEPMA. The additional terms and conditions of the PPAs will be negotiated by ISD and County Counsel to ensure the necessary protections for and best value to the County while holding qualified vendors to the EEPMA standard terms and conditions. In instances where a negotiation results in a deviation from the standard terms and conditions of the EEPMA, the modified terms and conditions will be reviewed and approved as to form by County Counsel, and your Board will be notified of the modified terms prior to execution of the PPA.

### **ENVIRONMENTAL DOCUMENTATION**

The California Environmental Quality Act (CEQA) is not applicable to these projects due to recent legislation that will become effective January 1, 2012.

### **CONTRACTING PROCESS**

The current Request for Statement of Qualifications (RFSQ) for EEPMA is an open solicitation. As such, new vendors can be qualified and awarded EEPMA through the term of the master agreement. This allows new companies to be added to the list of qualified vendors that can bid on future projects. PPA solicitations will be issued to vendors that have master agreements under the Renewable Resources and Distributed Generation Power category of the current EEPMA. Consistent with the established EEPMA solicitation process, PPAs will be awarded based on evaluation factors applicable to the project, including cost.

PPAs and all related documents will only be executed after it has been negotiated and your Board notified of the final terms.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Use of an existing master agreement such as EEPMA will result in an efficient and effective means of obtaining the required services. The use of PPAs will result in no upfront capital costs for the County, predictable and reduced energy pricing, guaranteed system performance, and environmental commitment.

Respectfully submitted,

A handwritten signature in dark ink that reads "Tom Tindall". The signature is written in a cursive, flowing style.

TOM TINDALL  
Director

TT:YY

Enclosures

c: Chief Executive Office  
Auditor-Controller  
County Counsel

AMENDMENT NUMBER «AMEND» TO  
ENERGY EFFICIENCY PROJECT SERVICES MASTER AGREEMENT (EEPMA)  
NO. «MA\_NUMBER»

This Amendment Number One (the "Amendment") to the Energy Efficiency Project Services Master Agreement «MA\_Number» is entered into as of this \_\_\_\_ day of \_\_\_\_\_, 2011 by and between the County of Los Angeles, a political subdivision of the State of California ("County") and «Company\_Name»«dba», a \_\_\_\_\_ corporation ("Contractor"), with reference to the following facts:

Recitals

WHEREAS, on November 6, 2007, the County's Board of Supervisors (the "Board") authorized the Director, Internal Services Department ("ISD") or his designee, to execute Energy Efficiency Project Services Master Agreements:

WHEREAS, on «MA\_Date», County and Contractor entered into that certain Energy Efficient Project Services Master Agreement No. «MA\_Number» (the "Master Agreement"); and

WHEREAS, on December 20, 2011 the Board of Supervisors authorized the Director, ISD, or his designee, to negotiate and execute an amendment to the Master Agreement revise the existing category of services thereto entitled "Renewable Resources and Distributed Generation Power" to include thereunder Power Purchase Agreements ("PPAs").

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, County and Contractor hereby agree to amend the Master Agreement as follows:

1. This Amendment shall be effective \_\_\_\_\_.
2. New Paragraphs 2.19 (Power Purchase Agreements) and 2.20 (Power Purchase Agreement Solicitation) shall be inserted at the end of Paragraph 2.0 (Definitions) of the Master Agreement to read as follows:

**"2.19 Power Purchase Agreement (PPA):** Agreement between the County and Contractor under the Renewable Resources and Distributed Generation Power category that includes terms and conditions, including, but not limited to financing and scope of work for the installation, operation, and maintenance of photovoltaic (solar) systems in County facility(ies) over an extended period of time at a fixed rate.

**2.20 Power Purchase Agreement Solicitation:** Competitive solicitation containing the Statement of Work, evaluation factors and other relevant information necessary to bid on a PPA. The PPA solicitation shall be sent to Qualified Contractors in the Renewable Resources and Distributed Generation Power category of the Master Agreement."

3. A new Paragraph 3.12 shall be inserted at the end of Paragraph 3.0 (Work) of the Master Agreement to read as follows:

"3.12 Under the Renewable Resources and Distributed Generation Power category, solicitations will result in Power Purchase Agreements (PPAs) which will be negotiated and mutually-agreed upon between County and Qualified Vendors. Such PPAs shall be evaluated consistent with this Paragraph (Work, 3.0) and shall contain all terms and conditions of the Master Agreement."

4. A new Paragraph 4.4 shall be inserted at the end of Paragraph 4.0 (Term of Master Agreement) to read as follows:

"4.4 Any Power Purchase Agreement (PPA) under the Renewable Resources and Distributed Generation Power category with an expiration date later than the Master Agreement expiration date shall be extended along with the terms and conditions under any successor Master Agreement, or automatically extend the Master Agreement expiration date to be consistent with the PPA expiration date. Such extended Master Agreement expiration date shall apply only to such PPA and shall not extend the Master Agreement expiration date for any other purpose whatsoever, including the issuance of new PPAs and/or extending any other then-existing PPAs."

5. A new Paragraph 5.5 (Payment Under Power Purchase Agreements) shall be inserted at the end of Paragraph 5.0 (Contract Sum) of the Master Agreement to read as follows:

**5.5 Payment Under Power Purchase Agreements**

Payment structure for any PPA executed under the Renewable Resources and Distributed Generation Power category shall be detailed in the PPA. Contractor shall be entitled to payment for Work performed under PPA up to the PPA expiration date subject to the terms in the PPA.

AMENDMENT NUMBER \_\_\_\_\_ «AMEND» TO ENERGY EFFICIENCY  
PROJECT SERVICES MASTER AGREEMENT NO. «MA Number»

Except as expressly provided in this Amendment, all other terms and conditions of the Master Agreement shall remain in full force and effect.

«Company\_Name» «dba»

COUNTY OF LOS ANGELES  
INTERNAL SERVICES DEPARTMENT

By: \_\_\_\_\_

By: \_\_\_\_\_  
Master Agreement Project Director

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

### **Power Purchase Agreements**

A Power Purchase Agreement (PPA) is a financial arrangement where a third-party PPA provider installs, owns, operates, and maintains a photovoltaic (PV) system. The host customer (County) agrees to allow the PV system on its property, typically on its roof or on shade structures, and agrees to purchase the system's generated electricity from the PPA provider for a predetermined period. A PPA is a performance-based arrangement in which the host customer pays only for the energy that the system produces.

This financial arrangement will enable the County to purchase lower cost electricity than the County would receive from its utility service provider. The PPA provider acquires valuable financial benefits such as investment tax credits (ITCs), accelerated depreciation, utility incentives, and income generated from the sale of electricity to the County. PPAs are commonly used by local governments to acquire the output of renewable resource systems so that tax benefits gained by private entities may be passed through to non-taxable entities.

The PPA provider is responsible for the financing, designing, permitting, construction, operation, and maintenance of the PV System.

Proposals will be requested from qualified vendors under the Renewable Resources and Distributed Generation Power category of the current Energy Efficiency Project Master Agreement (EEPMA). The proposals will be evaluated based on rates proposed for each kWh of output, which covers the capital cost of the system, operation and maintenance, and other provider costs. The final PPA rate will include an annual price escalator to account for anticipated increases in the utility service provider rates. However, the PPA rate will be required to at all times be lower than the actual utility rate for each year. Proposals will also be evaluated based on future years' system benefits (i.e., the difference between the utility rate and the PPA proposed rate) by determining the Net Present Value (NPV) for each proposal. The County will determine the baseline utility rate for the purposes of the NPV evaluation. Bidders will propose an annual, escalated PPA rate to be compared against this baseline.

The term length of most PPAs ranges from seven years (the time by which currently available tax benefits are fully realized) to as long as 25 years (the PV systems' expected life).



The benefits of using a PPA structure for solar projects to the County include:

- No upfront capital cost
- Predictable energy pricing
- Tax benefits may be passed through to the local government host
- No system performance or operating risk
- Projects can be structured so that they always generate cash flow savings compared to actual utility costs
- Demonstrates environmental commitment and reduces carbon footprint
- Provides support for local economy and job creation

The PPA provider will be required to apply for and comply with California Solar Initiative (CSI) requirements to capitalize on incentives and incorporate financial benefits into final pricing.